

GLOBALIZATION **AGAINST** DEMOCRACY

A Political Economy of Capitalism
after its Global Triumph



Guoguang Wu

"Guoguang Wu's *Globalization against Democracy* provides a thought-provoking analysis of the erosion of the political foundations of liberal democracy in the age of unfettered globalization. He offers a prescient and sobering explanation of the powerful forces that underlie phenomena such as Brexit and the rise of Donald Trump, demonstrating how globalized capitalism has fundamentally transformed the relationship between capital and the state, undermining the social bases and the political institutions that sustain liberal democracy."

Minxin Pei, Professor of Government, Claremont McKenna College and author of China's Crony Capitalism

"Why didn't the extension of capitalism to the world result in the generalisation of democracy, as the tenants of the "end of history" had predicted? Global capitalism has put an end to the opposition between the State and the Market. Refuting neo-liberal as well as neo-marxist analyses, Wu explores how global capitalism has provoked a State-Market nexus, which favours authoritarianism and disrupts democracy."

Jean-Philippe Béja, Directeur de Recherche Emerite, CNRS CERI-Sciences-Po

GUOGUANG WU is Professor of Political Science, Professor of History, and Chair in China and Asia-Pacific Relations at the University of Victoria, Canada. He previously served as an editor for the People's Daily in Beijing and participated in political reform of China in the 1980s in his capacity as a policy advisor and speechwriter for the national leadership. He is the author and editor of eight books, including *China's Party Congress: Power, Legitimacy, and Institutional Manipulation* (Cambridge University Press, 2015).

Cover image: Counterweights,
1926 Kandinsky, Wassily (1866–1944)
© Städtisches Museum, Mulheim,
Germany/Bridgeman Images.

COVER DESIGNED BY HART McLEOD LTD

CAMBRIDGE
UNIVERSITY PRESS
www.cambridge.org

ISBN 978-1-316-64075-3



WU
GLOBE
BUSINESS
SCHOOL
OF
MANAGEMENT
AGAINS
T
DEMO
CRACY

CAMBRIDGE



Globalization against Democracy

A Political Economy of Capitalism
after its Global Triumph

GUOGUANG WU
University of Victoria



CAMBRIDGE
UNIVERSITY PRESS

CAMBRIDGE
UNIVERSITY PRESS

University Printing House, Cambridge CB2 8BS, United Kingdom
One Liberty Plaza, 20th Floor, New York, NY 10006, USA
477 Williamstown Road, Port Melbourne, VIC 3207, Australia
4843/24, 2nd Floor, Ansari Road, Daryaganj, Delhi – 110002, India
79 Anson Road, #06–04/06, Singapore 079906

Cambridge University Press is part of the University of Cambridge.

It furthers the University's mission by disseminating knowledge in the pursuit of education, learning, and research at the highest international levels of excellence.

www.cambridge.org

Information on this title: www.cambridge.org/9781107190658

DOI: 10.1017/9781108116077

© Guoguang Wu 2017

This publication is in copyright. Subject to statutory exception and to the provisions of relevant collective licensing agreements, no reproduction of any part may take place without the written permission of Cambridge University Press.

First published 2017


Printed in the United Kingdom by Clays, St Ives plc

A catalogue record for this publication is available from the British Library.

ISBN 978-1-107-19065-8 Hardback

ISBN 978-1-316-64075-3 Paperback

Cambridge University Press has no responsibility for the persistence or accuracy of URLs for external or third-party Internet websites referred to in this publication and does not guarantee that any content on such websites is, or will remain, accurate or appropriate.



Globalization against Democracy

Globalization has reconfigured both the external institutional framework and the intrinsic operating mechanisms of capitalism. The global triumph of capitalism implies that the market is embraced by the state in all its variants and that global capitalism is not confined to the shell of nation-state democracy. Guoguang Wu provides a theoretical framework of global capitalism for specialists in political economy, political science, economics and international relations; for graduate and undergraduate courses on globalization, capitalism, development and democracy; and for members of the public who are interested in globalization.

Wu examines the new institutional features of global capitalism and how they reframe movements of capital, labor, and consumption. He explores how globalization has created a chain of connections in which capital depends on effective authoritarianism, while democracy depends on capital. Ultimately, he argues that the emerging state-market nexus has fundamentally shaken the existing institutional systems, harming democracy in the process.

GUOGUANG WU is Professor of Political Science, Professor of History, and Chair in China and Asia-Pacific Relations at the University of Victoria, Canada. He previously served as an editor for the *People's Daily* in Beijing and participated in political reform of China in the 1980s in his capacity as a policy advisor and speechwriter for the national leadership. He is the author and editor of eight books, including *China's Party Congress: Power, Legitimacy, and Institutional Manipulation* (Cambridge University Press, 2015).

To Alexander and Felix, with love and hope

Acknowledgments

To me, writing is always the best way to learn. The writing of a book with a scope of content as great as this one is inevitably a constant and intensive process of learning from numerous and diverse sources, including past thinkers, existing publications, various peers, and never-ending developments in real time. During the years since the major ideas of this book were incepted in September 2007, my great indebtedness to various people has amounted to a degree that has stretched beyond the possibility of listing all of them in any form. To all of those whose publications were consulted in this process (as incompletely recorded in bibliographic footnotes) and who are also concerned with a better future for humankind, I would first like to acknowledge their power in inspiring my thinking and purveying my understanding of the general and concrete themes covered in this book.

I should mention, for the record, the research grant awarded by the Social Sciences and Humanities Research Council (SSHRC) of Canada in its Insight Grant scheme (No. 435–2013-0083). The grant was for a research proposal focusing on China's development in the globalization era, but in the process of research and writing the issue, this book has been completed first. As a general treaty of global capitalism, this book of course carries a scope and set of implications far beyond a regional/country specialization; its theoretical relevance to understanding the political economy of China's experience in recent decades, however, is obvious and fundamental. It was in the course of conducting the above SSHRC-supported project that I was increasingly convinced of the very limiting or even flawed nature of understanding China's development without a grander view of globalization, thus I came to the decision of resetting my research agenda. Now, following this book, I feel myself to be on more solid ground than before in stepping forward to analyze China's development in some depth, which is expected to make up the second book in a trilogy on global capitalism (of which this book is the first). I don't believe that a better comprehension of either a country

case such as that of China or a basic political economy of globalization can be separated from each other; instead, a back-and-forth intellectual path between the two levels of generality and particularity should benefit both.

Although the trend of corporatization of research universities has been accelerating everywhere in the world, I could still find a comparatively favorable circumstance for my academic research and intellectual pondering at the University of Victoria, especially through its Department of Political Science, Department of History, and Centre for Asia-Pacific Initiatives (CAPI), three units on the campus for which I hold a faculty appointment. The ecological, cultural, and social physiognomy of the city of Victoria in British Columbia, I should also mention, does provide an inspiring atmosphere and supportive environment for lifting one's concerns beyond money, commodity, and *guanxi*, or networking for patronage benefits, reaching something which is lofty while fundamental, valuable but invisible for improving human life, something similar, I believe, to those issues on which I have made efforts to dwell in this book. I am glad to have this opportunity to express my appreciation to my colleagues, students, friends, neighbors, and other members of local communities.

Especially, the University of Victoria Library has been very helpful to my research; the CAPI China Chair fund has also been mobilized for covering some research activities that eventually resulted in this book. I thank my colleagues there for their support.

My graduate students, Can Zhao in Political Science and Jack John Hoskins in History, provided excellent research assistance, particularly in data searching and table composition. I very much thank them.

Emma Lansdowne has edited through the manuscript for several rounds with her marvelous writing skills. To her I am greatly indebted and would send my best wishes for the start of her academic career.

At Cambridge University Press, my editor Phil Good has competently steered the entire process of publication. I am deeply grateful to him. Thanks also go to Lucy Rhymer for her enthusiastic help at the initial stage.

The suggestions and criticisms from four reviewers who assessed the book proposal and, at a later stage, the book manuscript were invaluable contributions to the improvement of the book. Errors and mistakes, however, may still remain, all of which are mine.

As an ambitious while sometimes hopeless attempt to catch up with the great transformation of the global political economy we are experiencing in contemporary time, this book has been an ideational exploration, an intellectual adventure, and, accordingly, a personal as well as scholarly devotion to an intellectual course and a human ideal. My wife, Xiaoying, and our sons, Alexander and Felix, with their never-failing love, understanding, and tolerance, have accompanied and consoled me through the adventure; their passionate sympathy to my exploration and their constant and all-around support have helped to pave the way along which I stagger forward to first improve myself while also making some humble attempts to improve the world. This book is dedicated to Alexander and Felix, with daddy's unconditional love and with hope for their generation's better navigating of our globe.

Contents

<i>List of Figures and Tables</i>	<i>page</i> viii
<i>Acknowledgments</i>	ix
1 Introduction	1
2 Capitalism in Institutional Reconfiguration by Globalization: A Theoretical Framework	30
3 Institutional Oligopoly and Embedded Coordination: Concentrative Movements of Capital	82
4 Human (Im)mobility, Social Poverty, and Political Inability: “Economic Man” on the Segmented Labor Market	146
5 The Shaping of the Caged Anarchy: Standardized Consumption, Atomized Consumers	198
6 Global Inequalities Challenge Democracy: Sociopolitical Impacts of Transnational Stratification	245
7 Conclusion	295
<i>Index</i>	324

Figures and Tables

Figures

4.1 Declining Unionization Rate in Canada, 1981–2014	page 184
6.1 The Great Surge of Income Inequality in China since the 1980s	252

Tables

3.1 Increase of Merger and Acquisition Worldwide: A Historical Comparison between the Late 1980s and the Early 2010s	90
3.2 Chinese SOEs against Large National Economies: A Rough Comparison	93
3.3 The Largest US Retailers, 2013	98
3.4 Top Online Companies, Ranked by Assets	99
4.1 The Acceleration of Global Immigration, Selected Periods Between 1965 and 2005	151
4.2 The Largest Suppliers of International Emigrants, 2005	152
6.1 Growing Inequality Worldwide, 1965–2007	249
6.2 Increasing GINI Index of G20 Economies, the Mid-1970s to the Early 2010s	250
6.3 The Economies with the Most Unequal Income in the World, 2014–2015	269

1 Introduction

What does the global triumph of capitalism mean? How has it changed capitalism and the world? What implications do the changes bring to our life? The world was shocked when on June 23, 2016, more than 30 million voters decided in a referendum that the UK should leave the European Union.¹ Was such a choice a response to globalization, and, if yes, why such a response and why in the UK? No less shocking was the controversial rise of Donald Trump from the right as well as the unanticipated popularity of Bernie Sanders as a self-proclaimed socialist in the 2016 US presidential election;² in France, Marine Le Pen's National Front, an ultra-Right-wing party, gained a remarkable number of votes in the 2015 regional elections.³ Why does a political trend

¹ For a quick glance at the referendum, see Brian Wheeler and Alex Hunt, "The UK's EU Referendum: All You Need to Know," *BBC News*, www.bbc.com/news/uk-politics-32810887, posted and accessed June 24, 2016.

² When this chapter was nearly finalized, news that Trump won the Republican nomination broke. See, for instance, Emily Stephenson and Amy Tennery, "Beating Rivals and the Odds, Trump Captures Republican Nomination," *Reuters*, www.reuters.com/article/us-usa-election-idUSKCN0ZZ0ZP, posted and accessed July 20, 2016. For Sanders' popularity in the election, see, for example, Jessica Lussenhop, "Who Is Democratic Presidential Candidate Bernie Sanders?" *BBC News Magazine*, www.bbc.com/news/world-us-canada-34532136, posted and accessed January 21, 2016; and Anthony Zurcher, "US Election 2016: Bernie Sanders' and Hillary Clinton's Policies Compared," *BBC News*, www.bbc.com/news/election-us-2016-35666347, posted and accessed February 28, 2016.

³ See some insightful news reports and analyses in: Reuters, "The Rise of Far-Right Wing Parties in Europe," *The Jerusalem Post*, www.jpost.com/International/The-rise-of-far-right-wing-parties-in-Europe-354345, posted May 26, 2014, accessed December 15, 2015; Sputnik News, "World Goes 'Right': US, European Right-Wing Parties on Rise," sputniknews.com/politics/20151210/1031546075/american-european-right-wing-parties-on-rise.html, posted and accessed December 15, 2015; Nick Gutteridge, "Shocking March of the Far-Right across Europe as Migration Fears Reach Fever Pitch," www.express.co.uk/news/world/629022/EU-migration-crisis-far-right-parties-Europe-Germany-Sweden-France, published December 26, 2015, accessed January 3, 2016.

of de-globalization such as that advocated by these Rightist politicians surface in leading industrial democracies from whence global capitalism started its global conquering years before? What is troubling the political world in which democracy has well established itself for centuries?

It is not difficult to see close linkages between the above developments and what has happened in another end of the world, where, as the Global South becomes increasingly and profoundly involved in the global economy, ethnic nationalism, cultural localism, religious fundamentalism, violent terrorism, and political authoritarianism have gained leverage to challenge fundamental principles, political practices, and even the bottom-line preservation of democracy. Economic prosperity, technological progress, and global connections in various aspects of human life, ironically enough, are marching hand in hand with a mounting of strife, hatred, and conflicts across civilizations, nations, groups, and within society. What exactly are the linkages between the resistance in the Global South to globalization and the de-globalization impulse in the Global North? How are these various conflicts relevant to the global triumph of capitalism? Why is such a triumph impotent to deal with those vital challenges?

Moreover, the globe that human beings take as their home is in also crisis, as its basic ecological system has been plagued and shaken with the acceleration of deterioration. The global triumph of capitalism has stimulated the rapid increase of human capacities to acquire wealth from nature, but, paradoxically, it has caused huge ecological predicaments such as climate change and environmental degradation that are seemingly beyond the management and abilities of our governance systems at either the state or the global level and in the form of either democracy or non-democracy. Why does globalization worsen such disasters at such a pressing pace? How can we diagnose and improve the governance systems in this global era to meet such challenges? Would a concentration of public power be more effective than democracy in rescuing the world from these crises?

All of these are big questions that require a systematic exploration of the big picture of globalization. This book is exactly such an attempt and aims to provide a coherent, macro theory of global capitalism with possible explanatory power to help systematically comprehend the institutional nature of the global triumph of capitalism and the various aftermaths brought by this triumph to human economic, social, and